

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **PINCONNING-FRASER FIRE DEPARTMENT**

Bay County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2006

# **PINCONNING-FRASER FIRE DEPARTMENT**

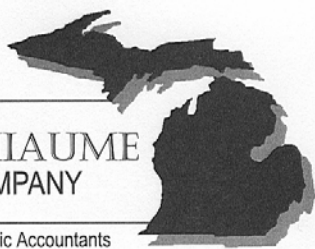
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BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Pinconning-Fraser Fire Department

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pinconning-Fraser Fire Department (the Fire Department) as of and for the year ended March 31, 2006, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Pinconning-Fraser Fire Department as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

September 19, 2006

## ***BASIC FINANCIAL STATEMENTS***

# PINCONNING-FRASER FIRE DEPARTMENT

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## GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

March 31, 2006

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 1)</u></i>	<i><u>Statement of Net Assets</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 30,486	\$ -	\$ 30,486
Prepaid expenditures/expenses	34,570	-	34,570
Capital assets:			
Depreciable capital assets, net	<u>-</u>	<u>383,392</u>	<u>383,392</u>
Total assets	<u><u>\$ 65,056</u></u>	<u><u>383,392</u></u>	<u><u>448,448</u></u>
<b>Liabilities and Fund Balance:</b>			
<b>Liabilities:</b>			
Deferred revenue	<u>\$ 40,018</u>	<u>-</u>	<u>40,018</u>
Total liabilities	<u><u>40,018</u></u>	<u><u>-</u></u>	<u><u>40,018</u></u>
<b>Fund Balance:</b>			
Unreserved	<u>25,038</u>	<u>(25,038)</u>	<u>-</u>
Total fund balance	<u><u>25,038</u></u>		
Total liabilities and fund balance	<u><u>\$ 65,056</u></u>		
<b>Net assets:</b>			
Invested in capital assets		383,392	383,392
Unrestricted		<u>25,038</u>	<u>25,038</u>
Total net assets		<u><u>\$ 408,430</u></u>	<u><u>\$ 408,430</u></u>

*The accompanying notes are an integral part of these financial statements.*

# PINCONNING-FRASER FIRE DEPARTMENT

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## STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	<i><u>Governmental</u></i> <i><u>Fund</u></i>	<i><u>Adjustments</u></i> <i><u>(Note 1)</u></i>	<i><u>Statement of</u></i> <i><u>Activities</u></i>
<b>Revenues:</b>			
Contributions from participating units	\$ 154,120	\$ -	\$ 154,120
Federal grant	36,900	-	36,900
Charges for services	272	-	272
Interest and rents	1,868	-	1,868
Other	<u>2,650</u>	<u>-</u>	<u>2,650</u>
Total revenues/program revenues	<u>195,810</u>	<u>-</u>	<u>195,810</u>
<b>Expenditures/Expenses:</b>			
Operations	98,440	25,498	123,938
Capital outlay	<u>88,252</u>	<u>(79,454)</u>	<u>8,798</u>
Total expenditures/expenses	<u>186,692</u>	<u>(53,956)</u>	<u>132,736</u>
Net change in fund balance/net assets	9,118	53,956	63,074
Fund balance/net assets, beginning of year	<u>15,920</u>	<u>329,436</u>	<u>345,356</u>
Fund balance/net assets, end of year	<u>\$ 25,038</u>	<u>\$ 383,392</u>	<u>\$ 408,430</u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***



# **PINCONNING-FRASER FIRE DEPARTMENT**

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## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Pinconning-Fraser Fire Department (the Department) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Fire Department. The Fire Department is required to consider other organizations for which the nature and significance of their relationship with it are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Fire Department's reporting entity. Additionally, the Fire Department is not a component unit of any other reporting entity.

The Pinconning-Fraser Fire Department operates under a joint service agreement created by the City of Pinconning and the Townships of Fraser and Pinconning. The agreement was created in 1993 in order to maintain and operate a joint fire department for the purpose of providing and furnishing fire protection within the geographical boundaries. The Fire Department is governed by an appointed Administrative Board with each unit of government appointing two members to the Board whose terms shall be six years.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information of all activities of the Fire Department. The Pinconning-Fraser Fire Department is accounted for in one governmental type fund.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2006

### Assets, Liabilities and Equity:

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are reported at fair value.

**Receivables** – All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

**Capital Assets** – Purchased capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Fire Department defines capital assets as assets with an initial individual cost in excess of \$5,000 if acquired prior to April 1, 2004 and \$1,000 if acquired after April 1, 2004 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	10-15 years
Vehicles (fire trucks)	8-30 years

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, these items are recorded as expenditures when paid.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### Budgetary Information:

The budget shall be prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. The Operating Fund is under formal budgetary control. Unexpended appropriations lapse at year end.

### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Fire Department did not incur expenditures that were in excess of the amounts budgeted.

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2006

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned. The Fire Department does not have a deposit policy for custodial credit risk. At year-end, the Fire Department had \$53,867 of bank deposits, of which \$53,867 was covered by federal depository insurance. At year end, the Fire Department had no investments.

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### NOTE 4: CAPITAL ASSETS

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Capital asset activity for the year ended March 31, 2006 was as follows:

	<i><u>April 1,</u></i> <i><u>2005</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31,</u></i> <i><u>2006</u></i>
Depreciable capital assets				
Equipment	\$ 135,929	\$ 50,567	\$ -	\$ 186,496
Vehicles	<u>406,500</u>	<u>28,887</u>	<u>-</u>	<u>435,387</u>
Total depreciable capital assets	<u>542,429</u>	<u>79,454</u>	<u>-</u>	<u>621,883</u>
Accumulated depreciation	<u>(212,293)</u>	<u>(26,198)</u>	<u>-</u>	<u>(238,491)</u>
Depreciable capital assets, net	<u>330,136</u>	<u>53,256</u>	<u>-</u>	<u>383,392</u>
Governmental activities, capital assets, net	<u>\$ 330,136</u>	<u>\$ 53,256</u>	<u>\$ -</u>	<u>\$ 383,392</u>

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2006

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### NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Capital purchases	<u>\$ -</u>	<u>\$ 40,018</u>

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### NOTE 6: LONG-TERM LIABILITIES

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The Fire Department had no long-term liabilities outstanding at March 31, 2006.

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Payments</u>	<u>March 31, 2006</u>
<b>Fire truck loan</b>				
Loan payable in 59 monthly installments of \$2,717, on the 27th day of the month at an interest rate of 5.4%.	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ (700)</u>	<u>\$ -</u>

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### NOTE 7: FUNDING

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The Fire Department is financed each year by the participating municipalities. This funding represents approximately 79% of total revenues for the year ending March 31, 2006. Consequently, the Fire Department's ability to provide services is dependent upon the continuing support of those municipalities.

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### NOTE 8: RISK MANAGEMENT

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The Fire Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Fire Department carries commercial insurance for liability and property loss.

The Fire Department manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The Fire Department pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2006

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### NOTE 9: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Following is the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net assets.

<b>Total fund balance for governmental fund</b>	\$	25,038
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	621,883	
Less accumulated depreciation	<u>(238,491)</u>	<u>383,392</u>

<b>Net assets of governmental activities</b>	<u>\$</u>	<u>408,430</u>
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Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

<b>Net change in fund balance - total governmental fund</b>	\$	9,118
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Total change in net assets reported for governmental activities in the statement of  
activities is different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is depreciated over their  
estimated useful lives and reported as depreciation expense.

Capital outlay	79,454	
Less depreciation expense	<u>(26,198)</u>	<u>53,256</u>

Repayments of principal on capital leases and contracts is an expenditure in  
governmental funds, but the payment reduces long-term liabilities in the  
statement of net assets.

<b>Change in net assets of governmental activities</b>	<u>\$</u>	<u>63,074</u>
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***REQUIRED SUPPLEMENTAL INFORMATION***

# PINCONNING-FRASER FIRE DEPARTMENT

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## OPERATING FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
Contributions from participating units	\$ 161,160	\$ 161,160	\$ 154,120	\$ (7,040)
Federal grant	-	36,900	36,900	-
Charges for services	-	-	272	272
Interest and rents	100	100	1,868	1,768
Other	-	-	2,650	2,650
Total revenues	<u>161,260</u>	<u>198,160</u>	<u>195,810</u>	<u>(2,350)</u>
<b>Expenditures:</b>				
Current				
Public safety	113,550	109,908	98,440	(11,468)
Capital outlay	<u>47,710</u>	<u>88,252</u>	<u>88,252</u>	<u>-</u>
Total expenditures	<u>161,260</u>	<u>198,160</u>	<u>186,692</u>	<u>(11,468)</u>
Net change in fund balance	-	-	9,118	9,118
Fund balance, beginning of year	<u>15,920</u>	<u>15,920</u>	<u>15,920</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,920</u>	<u>\$ 15,920</u>	<u>\$ 25,038</u>	<u>\$ 9,118</u>

***OTHER SUPPLEMENTAL INFORMATION***



# PINCONNING-FRASER FIRE DEPARTMENT

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## OPERATING FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Contributions from participating units:***

Operations	\$ 88,800
Fire runs	24,310
Small equipment	5,010
Capital purchases	<u>36,000</u>
	<u>154,120</u>

***Federal grant:***

Pass thru grant from Bay County	<u>36,900</u>
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***Charges for services:***

Fire reports and other	<u>272</u>
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***Interest:***

Interest	<u>1,868</u>
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***Other:***

Sale of capital asset	1,250
Contributions	<u>1,400</u>
	<u>2,650</u>

Total revenues	<u><u>\$ 195,810</u></u>
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# PINCONNING-FRASER FIRE DEPARTMENT

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## OPERATING FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

***Public Safety:***

***Administrative:***

Personnel	\$ 8,502
Fringe benefits	650
	<u>9,152</u>

***Fire:***

Personnel	23,825
Fringe benefits	11,217
Supplies	9,753
Contracted services	2,690
Telephone	2,399
Mileage	963
Dues and memberships	699
Education, conferences and training	3,350
Insurance	9,163
Utilities	10,822
Repairs and maintenance	14,249
Other	158
	<u>89,288</u>

***Capital Outlay:***

Public safety	<u>88,252</u>
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Total expenditures	<u><u>\$ 186,692</u></u>
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September 19, 2006

To The Members of The Board  
Pinconning-Fraser Fire Department

We have audited the financial statements of Pinconning-Fraser Fire Department for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Pinconning-Fraser Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pinconning-Fraser Fire Department are described in Note 1 to the financial statements. We noted no transactions entered into by Pinconning-Fraser Fire Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5)

Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Department's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated September 19, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants